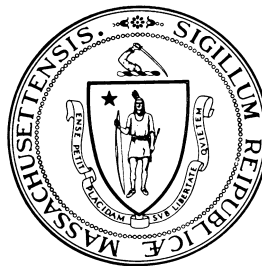


Massachusetts Division of Health Care Finance and Policy

Uncompensated Care Pool PFY01 Annual Report

August 2002

Linda Ruthardt, Commissioner



Jane Swift, Governor
Commonwealth of Massachusetts

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Executive Office of Health and Human Services

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Uncompensated Care Pool PFY01 Annual Report

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A Word About the Division

Satisfying the Need for Health Care Information

The effectiveness of the health care system depends in part upon the availability of information. In order for this system to function properly, purchasers must have accurate and useful information about quality, pricing, supply and available alternatives. Providers need information on the productivity and efficiency of their business operations to develop strategies to improve the effectiveness of the services they deliver. State policy makers need to be advised of the present health care environment, as they consider where policy investigation or action may be appropriate.

As part of its health care information program, the Division publishes reports that focus on various health care policy and market issues.

The Division of Health Care Finance and Policy collects, analyzes and disseminates information with the goal of improving the quality, efficiency and effectiveness of the health care delivery system in Massachusetts. In addition, the Division administers the Uncompensated Care Pool, a fund that reimburses Massachusetts acute care hospitals and community health centers for services provided to uninsured and underinsured people.

Mission

To improve the delivery and financing of health care by providing information, developing policies, and promoting efficiencies that benefit the people of Massachusetts. Agency goals:

- Assure the availability of relevant health care delivery system data to meet the needs of health care purchasers, providers, consumers and policy makers;
- Advise and inform decision makers in the development of effective health care policies;
- Develop health care pricing strategies that support the cost effective procurement of high quality services for public beneficiaries; and
- Improve access to health care for low-income uninsured and underinsured residents.

Section 1: Introduction

Chapter 47 of the Acts of 1997 requires the Division of Health Care Finance and Policy to file annual reports on the status of the Uncompensated Care Pool (the Pool) with the Executive Office of Health and Human Services and the Joint Committee on Health Care.

This report contains complete information on PFY01 (Pool Fiscal Year 2001). It contains a significant amount of technical information about the Pool, including an

update on the status of the Pool, the sources of funding for uncompensated care in Massachusetts, and the uses of Pool funds. It also contains detailed information on Pool liability to hospitals, information on payments to community health centers, Pool surplus/shortfall analyses, and information on final settlements with hospitals. Finally, this report contains information on current Pool management initiatives.

Calculations contained in this report are based upon the most recently available data from the Division of Health Care Finance and Policy. The Division uses a Pool Fiscal Year (PFY) for its calculations, which corresponds to hospitals' fiscal year (October 1 to September 30). This report contains the most up-to-date figures available for PFY01. See Section 6 for a discussion of Pool expense projections and Section 7 for a discussion of Pool settlements.

Section 2:

Uncompensated Care Pool

The Uncompensated Care Pool pays for medically necessary services provided by acute care hospitals and community health centers (CHCs) to low-income uninsured and underinsured people. Patients can apply for free care at any acute care hospital or CHC.

The Massachusetts legislature established the Uncompensated Care Pool in 1985 as a financing mechanism to distribute the burden of bad debt and provide free care (together known as “uncompensated care”) more equitably among acute care hospitals. The creation of the Pool was

intended to help pay for the costs of providing care to the uninsured, and also to eliminate financial disincentives that a hospital might have to providing such care. Since its creation, the Pool has evolved into a key component of the Commonwealth’s health care safety net, helping to ensure access to needed health care services for people with no other source of health care coverage.

The Uncompensated Care Pool is only one part of the Commonwealth’s network of health care initiatives for low-income uninsured and underinsured individuals. The Division has been careful to manage the Pool to best serve the needs of the people who access health care through the Pool. Our goals are to improve the efficiency and effectiveness of the Pool, while at the same time improving the quality of care and reducing costs. For more information about the Uncompensated Care Pool, please contact the Division at (617) 988-3100, or visit our web site at www.mass.gov/dhcfp.

Section 3:

Sources of Funds

Table 1 below summarizes the sources and amounts of funding available to the Pool in Pool Fiscal Year 2001. Detailed information about these funding sources follows.

Hospitals

The Uncompensated Care Pool is primarily funded from three sources: an assessment on acute hospitals' private sector charges; a surcharge on payments made to hospitals and ambulatory surgical centers by payers, including HMOs, insurers, and individuals; and an annual appropriation from the Commonwealth's General Fund. Smaller amounts from other sources may also be available in some years.

The total amount paid by all Massachusetts hospitals into the Uncompensated Care Pool is established by the legislature. Each individual hospital's assessment is calculated by multiplying the hospital's private sector charges by the uniform allowance. The uniform allowance is calculated by dividing the total assessment, \$215 million, by the total private sector charges from all hospitals statewide, and in PFY01 was approximately 2.445% (see Table 4 on pages 14-17 for each hospital's annual liability to the Pool).

Table 1: Uncompensated Care Funding

	PFY01
Statutory Funding	
Hospital Assessment	\$215,000,000
Surcharge on Payments to Hospitals	\$100,000,000
State Appropriation	\$30,000,000
Total Uncompensated Care Pool Funding	\$345,000,000
Other Funds	
Intergovernmental Funds Transfer (IGT)	\$70,000,000
Compliance Liability (S.56) Revenues	\$1,100,000
PFY98 Surplus	\$2,000,000
Transfer from Medical Security Trust	\$25,000,000
Total Funds Available for Uncompensated Care	\$443,100,000

Surcharge

The total amount to be collected via the surcharge is also established by the Massachusetts legislature. The Division of Health Care Finance and Policy sets the surcharge percentage at a level to produce \$100 million. If the Division collects more than \$100 million in one year, the Division reduces the surcharge percentage in subsequent years. The surcharge percentage was 3.0% for PFY00, is 1.8% for PFY01, and will be 2.15% for PFY02.

In order to develop an effective and equitable surcharge collection system, the Division established a surcharge workgroup to solicit input and advice from interested parties. This group—comprised of HMOs, commercial insurers, the Massachusetts Hospital Association, business and labor representatives, and providers—continues to offer its assistance as the Division looks to make process improvements to the surcharge payment system.

Surcharge Collections

Over 1,000 registered surcharge payers are currently making and reporting monthly payments to the Uncompensated Care Pool. Table 2 below lists the top surcharge payers and their contributions. Both providers and payers file reports with the Division of Health Care Finance and Policy that are analyzed to ensure that surcharge payers are paying appropriate surcharge amounts. For example, hospitals and ambulatory surgical centers report possibly unregistered payers so that the Division may initiate appropriate follow-up.

Currently, the Division is developing more automated ways for providers and payers to comply with reporting requirements, which will also assist the Division in its analysis and monitoring responsibilities. The cooperation of payers and providers on all levels has contributed to the Division's successful ongoing administration of the surcharge.

Table 2: Surcharge Collections

Surcharge Payer	Collections PFY01	% to Total PFY01
BCBSMA	\$ 27,841,058	37%
HCHP	8,929,848	12%
Tufts HMO	6,326,252	8%
Aetna	3,018,774	4%
Total Health Plan	2,905,686	4%
Connecticut General Life	2,784,928	4%
Unicare Life & Health	2,465,276	3%
United Health Care	2,441,910	3%
Fallon Community Health Plan	1,597,615	2%
Community Health Plan	31,968	0%
All Others	16,253,465	22%
Total	\$74,596,780	100%

Surcharge percentage in effect: 1.8%

General Fund

The legislature also appropriates \$30 million annually to the Uncompensated Care Pool. This amount is a portion of the federal matching funds (FFP) generated by the Pool.

Other Funding Sources

In addition to these sources, the Pool also has access to several other, smaller sources of funding. The Division transferred \$1.1 million of compliance liability funds to the PFY01 Pool. These funds originate from payments made to close out the hospital regulatory system in effect from FY82 to FY91. In that system, hospitals that overcharged in one year were directed to lower their charges in a subsequent year. When the regulated system ended, hospitals that overcharged in the final year were directed by St.1991, c.495, §56 to pay a portion of the amount overcharged to the Pool. There is approximately \$72,000 remaining in the compliance liability trust fund.

**Additional Funding
for Uncompensated Care**

Since FY98 (state fiscal year), the Commonwealth has been able to access an additional \$70 million in federal funds annually through an intergovernmental funds transfer (IGT). These funds, which are appropriated each year in the state budget, are paid by the Division of Medical Assistance to Boston Medical Center (\$51.8 million) and Cambridge Health Alliance (\$18.2 million) at the beginning of the state fiscal year (July). Free care provided by these two hospitals is funded first from the IGT and the remainder is paid by the Pool. Finally, the FY01 state budget transferred \$25 million from the Medical Security Trust Fund to the Pool to eliminate the PFY00 shortfall and offset the PFY01 shortfall (St. 2000, c.159, s.351). The FY02 state budget transferred \$60 million from the Medical Security Trust Fund to offset the PFY01 and PFY02 shortfalls (established in line-item 1000-0001 in the FY02 state budget, Chapter 177 of the Acts of 2001).

Section 4: Uses of Funds

Figure 1 (below) summarizes the distribution of funds for uncompensated care to hospitals for inpatient services, to hospitals for outpatient services, to community health centers, and to the Pool demonstration projects. It also shows the shift in payments for inpatient and outpatient care, as hospitals have shifted to providing more care in outpatient settings. Tables 3, 4, 5, and 6 provide additional

detail on payments made from the Uncompensated Care Pool.

Uncompensated Care Charges for PFY01

Hospitals report to the Pool on the distribution of uncompensated care among the allowable categories: full free care, partial free care, medical hardship, and emer-

Figure 1: Uncompensated Care Payments

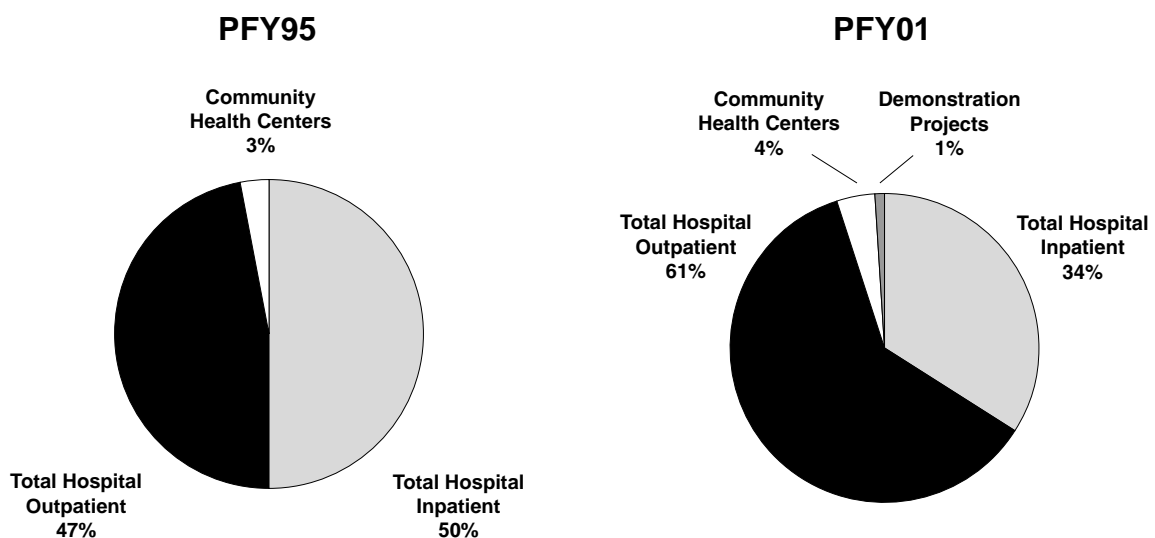


Table 3: Uncompensated Care Charges for PFY01

Hospital	Inpatient Emergency Bad Debt	Inpatient Free Care	Total Allowable Inpatient Free Care	Outpatient Emergency Bad Debt
Anna Jaques Hospital	\$ 115,355	\$ 688,117	\$ 803,472	\$ 751,754
Athol Memorial Hospital	10,069	96,172	106,241	157,756
Baystate Medical Center	1,416,026	8,424,973	9,840,999	4,231,054
Berkshire/Hillcrest	322,440	3,399,940	3,722,380	928,718
Beth Israel Deaconess Med Ctr	1,659,698	8,760,313	10,420,011	3,592,309
Boston Medical Center	3,435,089	48,809,283	52,244,372	14,026,082
Brigham & Women's Hospital	3,376,809	21,605,639	24,982,448	1,950,520
Brockton Hospital	685,160	2,507,036	3,192,196	3,646,880
Cambridge/Somerville Hospital	1,271,539	34,447,519	35,719,058	3,164,540
Cape Cod Hospital	664,453	1,458,700	2,123,153	1,568,056
Caritas Norwood	293,285	1,405,577	1,698,862	757,323
Carney Hospital	922,362	1,884,544	2,806,906	1,689,801
Children's Hospital	962,742	2,093,570	3,056,312	1,074,716
Clinton Hospital	17,877	620,256	638,133	183,832
Cooley Dickinson Hospital	113,086	1,032,863	1,145,949	268,679
Dana-Farber Cancer Institute	-	704,470	704,470	-
Deaconess Glover Hospital	12,064	151,540	163,604	178,658
Deaconess Nashoba	51,022	165,483	216,505	503,806
Deaconess Waltham	537,507	931,393	1,468,900	630,638
Emerson Hospital	188,935	1,242,430	1,431,365	113,666
Fairview Hospital	(50)	306,688	306,638	146,883
Falmouth Hospital	225,775	537,265	763,040	422,051
Faulkner Hospital	681,905	2,047,843	2,729,748	926,676
Franklin Medical Center	93,383	1,559,617	1,653,000	841,393
Good Samaritan Medical Center	232,952	1,161,354	1,394,306	1,549,743
Hale Hospital	301,591	218,961	520,552	944,199
Hallmark Health	1,018,144	1,908,772	2,926,916	2,754,151
Harrington Memorial Hospital	100,109	504,953	605,062	334,532
Health Alliance	379,918	918,864	1,298,782	924,913
Henry Heywood Memorial Hosp.	165,024	565,523	730,547	676,470
Holy Family Hospital	846,904	1,984,078	2,830,982	1,612,587
Holyoke Hospital	152,914	1,221,681	1,374,595	934,804
Hubbard Regional Hospital	110,257	130,717	240,974	660,022
Jordan Hospital	257,377	541,141	798,518	612,668
Lahey Clinic Hospital, Inc.	1,951,313	862,836	2,814,149	1,151,784
Lawrence General Hospital	798,879	1,194,003	1,992,882	3,316,149
Lowell General Hospital	262,317	1,542,908	1,805,225	271,776
Marlborough Hospital	226,227	863,486	1,089,713	1,076,442
Mary Lane Hospital	16,358	169,228	185,586	346,923
Mass. Eye & Ear Infirmary	141,032	298,752	439,784	25,554

Outpatient Free Care	Total Allowable Outpatient Free Care	Net Total Emergency Bad Debt	Net Total Free Care	Net Total Allowable Free Care
\$ 537,134	\$ 1,288,888	\$ 867,109	\$ 1,225,251	\$ 2,092,360
372,761	530,517	167,825	468,933	636,758
4,684,117	8,915,171	5,647,080	13,109,090	18,756,170
2,130,923	3,059,641	1,251,158	5,530,863	6,782,021
16,792,451	20,384,760	5,252,007	25,552,764	30,804,771
154,405,465	168,431,547	17,461,171	203,214,748	220,675,919
14,306,702	16,257,222	5,327,329	35,912,341	41,239,670
5,494,682	9,141,562	4,332,040	8,001,718	12,333,758
57,858,466	61,023,006	4,436,079	92,305,985	96,742,064
2,413,036	3,981,092	2,232,509	3,871,736	6,104,245
959,711	1,717,034	1,050,608	2,365,288	3,415,896
957,036	2,646,837	2,612,163	2,841,580	5,453,743
1,724,408	2,799,124	2,037,458	3,817,978	5,855,436
281,520	465,352	201,709	901,776	1,103,485
991,170	1,259,849	381,765	2,024,033	2,405,798
1,350,001	1,350,001	-	2,054,471	2,054,471
173,873	352,531	190,722	325,413	516,135
201,139	704,945	554,828	366,622	921,450
411,939	1,042,577	1,168,145	1,343,332	2,511,477
843,488	957,154	302,601	2,085,918	2,388,519
542,982	689,865	146,833	849,670	996,503
869,091	1,291,142	647,826	1,406,356	2,054,182
1,004,923	1,931,599	1,608,581	3,052,766	4,661,347
1,912,077	2,753,470	934,776	3,471,694	4,406,470
2,508,488	4,058,231	1,782,695	3,669,842	5,452,537
238,506	1,182,705	1,245,790	457,467	1,703,257
1,315,570	4,069,721	3,772,295	3,224,342	6,996,637
566,364	900,896	434,641	1,071,317	1,505,958
632,003	1,556,916	1,304,831	1,550,867	2,855,698
790,920	1,467,390	841,494	1,356,443	2,197,937
1,165,695	2,778,282	2,459,491	3,149,773	5,609,264
1,158,326	2,093,130	1,087,718	2,380,007	3,467,725
373,968	1,033,990	770,279	504,685	1,274,964
1,342,134	1,954,802	870,045	1,883,275	2,753,320
762,510	1,914,294	3,103,097	1,625,346	4,728,443
2,357,349	5,673,498	4,115,028	3,551,352	7,666,380
1,088,202	1,359,978	534,093	2,631,110	3,165,203
715,161	1,791,603	1,302,669	1,578,647	2,881,316
461,795	808,718	363,281	631,023	994,304
1,024,535	1,050,089	166,586	1,323,287	1,489,873

Table 3: Uncompensated Care Charges for PFY01

Hospital	Inpatient Emergency Bad Debt	Inpatient Free Care	Total Allowable Inpatient Free Care	Outpatient Emergency Bad Debt
Mass. General Hospital Corp.	\$ 5,035,051	\$ 22,058,030	\$ 27,093,081	\$ 4,966,096
Mercy Hospital	1,496,836	3,371,530	4,868,366	1,309,739
Metrowest Medical Center, Inc.	877,610	3,238,474	4,116,084	1,952,677
Milford-Whitinsville Hospital	109,150	1,146,839	1,255,989	1,051,531
Milton Hospital	109,546	205,743	315,289	463,634
Morton Hospital	136,290	702,332	838,622	1,353,557
Mount Auburn Hospital	975,270	1,494,459	2,469,729	845,461
Nantucket Cottage Hospital	28,591	166,871	195,462	234,498
New England Baptist Hospital	-	79,578	79,578	-
New England Medical Center	651,772	7,241,596	7,893,368	96,512
Newton-Wellesley Hospital	-	1,711,676	1,711,676	499,487
Noble Hospital	88,865	412,468	501,333	382,248
North Adams Regional Hosp.	83,211	51,524	134,735	326,721
Northeast Hospital Corporation	46,751	4,723,845	4,770,596	1,646,109
Quincy Hospital	410,340	1,188,229	1,598,569	953,686
Saint Vincent Hospital	1,533,942	3,356,525	4,890,467	4,067,774
Saints Memorial	277,230	1,235,749	1,512,979	1,104,128
Salem Hospital	432,494	2,071,924	2,504,418	1,728,142
South Shore Hospital, Inc.	415,147	999,853	1,415,000	2,210,689
Southcoast	872,372	4,079,711	4,952,083	3,419,695
St. Anne's Hospital	200,584	912,115	1,112,699	1,318,873
St. Elizabeth's Hospital	560,564	3,194,543	3,755,107	199,473
Sturdy Memorial Hospital	210,599	769,794	980,393	469,156
UMass Memorial	2,482,474	9,554,456	12,036,930	6,160,998
Union Hospital	418,580	1,272,739	1,691,319	1,310,024
Vencor-Boston	-	757,270	757,270	-
Vencor-North Shore	-	-	-	-
Winchester Hospital	172,430	485,450	657,880	763,545
Wing Memorial Hospital	70,736	491,616	562,352	273,050
Totals	41,714,282	235,943,427	277,657,709	98,056,011

Notes:

1. Free care data are based on uncompensated care claims data reported by the hospitals from October 2000 through September 2001.
2. JB Thomas reported no free care charges for FY01 (October 2000 through September 2001).
3. Bad debt is net of recoveries, therefore some facilities have negative bad debt.
4. All data are unaudited and subject to change with future updates and calculations.

Outpatient Free Care	Total Allowable Outpatient Free Care	Net Total Emergency Bad Debt	Net Total Free Care	Net Total Allowable Free Care
\$ 24,939,747	\$ 29,905,843	\$ 10,001,147	\$ 46,997,777	\$ 56,998,924
784,846	2,094,585	2,806,575	4,156,376	6,962,951
4,154,648	6,107,325	2,830,287	7,393,122	10,223,409
1,099,202	2,150,733	1,160,681	2,246,041	3,406,722
148,312	611,946	573,180	354,055	927,235
1,444,679	2,798,236	1,489,847	2,147,011	3,636,858
1,046,898	1,892,359	1,820,731	2,541,357	4,362,088
397,968	632,466	263,089	564,839	827,928
171,145	171,145	-	250,723	250,723
7,890,747	7,987,259	748,284	15,132,343	15,880,627
465,941	965,428	499,487	2,177,617	2,677,104
540,243	922,491	471,113	952,711	1,423,824
401,807	728,528	409,932	453,331	863,263
1,848,976	3,495,085	1,692,860	6,572,821	8,265,681
900,943	1,854,629	1,364,026	2,089,172	3,453,198
2,531,272	6,599,046	5,601,716	5,887,797	11,489,513
1,555,465	2,659,593	1,381,358	2,791,214	4,172,572
2,984,674	4,712,816	2,160,636	5,056,598	7,217,234
896,434	3,107,123	2,625,836	1,896,287	4,522,123
5,323,378	8,743,073	4,292,067	9,403,089	13,695,156
1,508,552	2,827,425	1,519,457	2,420,667	3,940,124
899,949	1,099,422	760,037	4,094,492	4,854,529
933,306	1,402,462	679,755	1,703,100	2,382,855
7,103,460	13,264,458	8,643,472	16,657,916	25,301,388
1,270,462	2,580,486	1,728,604	2,543,201	4,271,805
-	-	-	757,270	757,270
-	-	-	-	-
470,522	1,234,067	935,975	955,972	1,891,947
879,499	1,152,549	343,786	1,371,115	1,714,901
360,313,696	458,369,707	139,770,293	596,257,123	736,027,416

Table 4: Summary of PFY01 Uncompensated Care Charges*

Acute Care Hospitals	Private Sector Charges A	Uncompensated Care Percentage B	Annual Gross Liability to the Pool C = A x B	Total Free Care D	Cost-to- Charge Ratio E
Anna Jaques Hospital	\$ 54,855,162	2.445%	\$ 1,341,230	\$ 2,070,213	55.53%
Athol Memorial Hospital	9,248,432	2.445%	226,128	584,867	62.51%
Baystate Medical Center	308,912,183	2.445%	7,553,021	17,959,411	55.49%
Berkshire/Hillcrest	91,937,520	2.445%	2,247,908	6,149,125	59.95%
Beth Israel Deaconess Med Ctr	636,751,599	2.445%	15,568,821	31,983,349	53.81%
Boston Medical Center	166,402,935	2.445%	4,068,616	207,333,289	67.75%
Brigham & Women's Hospital	737,313,146	2.445%	18,027,589	37,065,283	39.72%
Brockton Hospital	76,296,697	2.445%	1,865,484	12,035,838	51.44%
Cambridge/Somerville Hospital	45,484,781	2.445%	1,112,120	96,935,370	75.74%
Cape Cod Hospital	90,641,762	2.445%	2,216,226	5,943,629	69.20%
Caritas Norwood	91,552,435	2.445%	2,238,492	3,799,235	61.37%
Carney Hospital	39,637,106	2.445%	969,142	5,106,046	62.59%
Children'S Hospital	454,963,870	2.445%	11,124,041	5,950,346	63.19%
Clinton Hospital	8,071,564	2.445%	197,353	1,040,579	49.12%
Cooley Dickinson Hospital	44,781,598	2.445%	1,094,927	2,546,186	59.34%
Dana-Farber Cancer Institute	161,783,862	2.445%	3,955,677	1,960,385	72.35%
Deaconess Glover Hospital	22,940,828	2.445%	560,912	474,203	41.71%
Deaconess Nashoba	20,405,859	2.445%	498,931	938,093	61.71%
Deaconess Waltham	58,571,013	2.445%	1,432,084	2,241,025	48.12%
Emerson Hospital	142,608,169	2.445%	3,486,824	2,521,266	40.89%
Fairview Hospital	14,705,852	2.445%	359,564	1,055,797	53.28%
Falmouth Hospital	49,746,547	2.445%	1,216,322	2,103,765	58.73%
Faulkner Hospital	83,602,466	2.445%	2,044,112	4,163,508	48.39%
Franklin Medical Center	42,787,464	2.445%	1,046,170	4,628,564	53.16%
Good Samaritan Medical Center	70,618,016	2.445%	1,726,638	5,058,212	49.70%
Hale Hospital	24,590,580	2.445%	601,249	1,722,203	54.56%
Hallmark Health	162,124,120	2.445%	3,963,997	8,650,191	46.89%
Harrington Memorial Hospital	31,371,050	2.445%	767,034	1,658,283	62.32%
Health Alliance	73,470,139	2.445%	1,796,373	2,825,733	51.23%
Henry Heywood Memorial Hosp.	49,528,375	2.445%	1,210,988	1,869,212	43.87%
Holy Family Hospital	90,449,339	2.445%	2,211,521	5,402,031	45.07%
Holyoke Hospital	46,105,078	2.445%	1,127,287	3,213,716	48.36%
Hubbard Regional Hospital	15,462,123	2.445%	378,055	1,229,508	49.68%
Jordan Hospital	76,245,588	2.445%	1,864,234	2,645,962	48.49%
Lahey Clinic Hospital, Inc.	298,743,663	2.445%	7,304,397	2,824,108	53.85%
Lawrence General Hospital	62,854,055	2.445%	1,536,806	7,560,246	51.56%
Lowell General Hospital	104,955,785	2.445%	2,566,209	2,962,256	41.69%
Marlborough Hospital	38,416,086	2.445%	939,288	2,860,937	43.04%
Mary Lane Hospital	18,787,431	2.445%	459,360	968,656	51.28%
Mass. Eye & Ear Infirmary	74,407,210	2.445%	1,819,285	1,289,107	70.31%

Uncompensated Care Pool PFY01 Annual Report

Allowable Free Care Costs F = D x E	IGT Adjustment G	IGT Net Allow Free Care Costs H = F - G	Shortfall Allocation I	Annual Gross Liability from the Pool J = H - I	Net Annual Liability to or from the Pool K = J - C
\$ 1,149,589	-	\$ 1,149,589	\$ 290,345	\$ 859,245	\$ (481,985)
365,600	-	365,600	70,814	294,786	68,658
9,965,677	-	9,965,677	1,885,073	8,080,604	527,583
3,686,400	-	3,686,400	660,403	3,025,998	778,090
17,210,240	-	17,210,240	2,970,604	14,239,636	(1,329,185)
140,468,303	51,800,000	88,668,303	2,778,783	85,889,520	81,820,904
14,722,330	-	14,722,330	2,980,958	11,741,372	(6,286,217)
6,191,235	-	6,191,235	452,042	5,739,193	3,873,709
73,418,849	18,200,000	55,218,849	1,041,233	54,177,616	53,065,496
4,112,991	-	4,112,991	771,725	3,341,266	1,125,040
2,331,591	-	2,331,591	415,889	1,915,702	(322,790)
3,195,874	-	3,195,874	417,866	2,778,008	1,808,866
3,760,024	-	3,760,024	1,610,846	2,149,177	(8,974,864)
511,132	-	511,132	57,708	453,424	256,071
1,510,907	-	1,510,907	277,731	1,233,176	138,249
1,418,339	-	1,418,339	518,230	900,109	(3,055,569)
197,790	-	197,790	106,111	91,679	(469,233)
578,897	-	578,897	121,548	457,349	(41,582)
1,078,381	-	1,078,381	294,705	783,676	(648,408)
1,030,946	-	1,030,946	403,744	627,201	(2,859,623)
562,529	-	562,529	72,196	490,333	130,769
1,235,541	-	1,235,541	279,269	956,272	(260,050)
2,014,722	-	2,014,722	315,071	1,699,651	(344,462)
2,460,545	-	2,460,545	279,318	2,181,226	1,135,056
2,513,931	-	2,513,931	436,794	2,077,137	350,499
939,634	-	939,634	204,511	735,122	133,873
4,056,075	-	4,056,075	1,179,365	2,876,710	(1,087,287)
1,033,442	-	1,033,442	187,973	845,469	78,435
1,447,623	-	1,447,623	349,511	1,098,112	(698,261)
820,023	-	820,023	193,647	626,377	(584,611)
2,434,695	-	2,434,695	388,419	2,046,277	(165,244)
1,554,153	-	1,554,153	310,568	1,243,585	116,298
610,820	-	610,820	84,687	526,132	148,077
1,283,027	-	1,283,027	330,912	952,115	(912,119)
1,520,782	-	1,520,782	1,269,859	250,923	(7,053,474)
3,898,063	-	3,898,063	414,243	3,483,820	1,947,014
1,234,965	-	1,234,965	407,762	827,203	(1,739,006)
1,231,347	-	1,231,347	138,640	1,092,707	153,419
496,727	-	496,727	82,290	414,437	(44,923)
906,371	-	906,371	355,850	550,521	(1,268,764)

Table 4: Summary of PFY01 Uncompensated Care Charges*

Acute Care Hospitals	Private Sector Charges A	Uncompensated Care Percentage B	Annual Gross Liability to the Pool C = A x B	Total Free Care D	Cost-to-Charge Ratio E
Mass. General Hospital Corp.	\$ 893,045,549	2.445%	\$ 21,835,306	\$ 56,749,642	38.80%
Mercy Hospital	79,170,394	2.445%	1,935,747	6,253,434	44.25%
Metrowest Medical Center, Inc.	217,847,676	2.445%	5,326,459	9,651,017	40.51%
Milford-Whitinsville Hospital	97,854,264	2.445%	2,392,574	3,561,342	40.28%
Milton Hospital	28,513,308	2.445%	697,161	905,130	54.91%
Morton Hospital	83,198,545	2.445%	2,034,236	4,034,040	47.89%
Mount Auburn Hospital	117,828,149	2.445%	2,880,943	3,878,299	46.51%
Nantucket Cottage Hospital	9,326,685	2.445%	228,041	974,852	85.05%
New England Baptist Hospital	105,315,014	2.445%	2,574,992	250,499	50.26%
New England Medical Center	360,097,888	2.445%	8,804,532	14,994,611	41.94%
Newton-Wellesley Hospital	180,409,990	2.445%	4,411,093	2,279,711	48.27%
Noble Hospital	29,895,037	2.445%	730,945	1,325,941	48.61%
North Adams Regional Hosp.	22,151,310	2.445%	541,608	887,125	56.92%
Northeast Hospital Corporation	128,498,319	2.445%	3,141,833	8,295,701	50.39%
Quincy Hospital	47,087,302	2.445%	1,151,303	4,031,673	57.85%
Saint Vincent Hospital	147,404,041	2.445%	3,604,085	11,221,210	47.99%
Saints Memorial	65,153,976	2.445%	1,593,040	4,210,893	42.00%
Salem Hospital	110,087,924	2.445%	2,691,692	7,401,761	59.03%
South Shore Hospital, Inc.	156,445,401	2.445%	3,825,150	4,279,017	59.78%
Southcoast	219,865,560	2.445%	5,375,797	13,536,443	56.14%
St. Anne's Hospital	47,662,737	2.445%	1,165,372	3,421,194	43.85%
St. Elizabeth's Hospital	124,828,257	2.445%	3,052,099	4,437,447	48.34%
Sturdy Memorial Hospital	70,439,033	2.445%	1,722,261	2,147,376	55.38%
UMass Memorial	504,709,592	2.445%	12,340,343	25,339,467	56.60%
Union Hospital	48,966,651	2.445%	1,197,253	3,962,226	48.47%
Vencor-Boston	10,810,278	2.445%	264,315	527,514	51.23%
Vencor-North Shore	3,213,565	2.445%	78,573	-	51.23%
Winchester Hospital	174,664,898	2.445%	4,270,624	2,121,897	49.38%
Wing Memorial Hospital	16,695,237	2.445%	408,205	1,537,871	68.70%
Totals	8,793,318,068	2.445%	215,000,000	711,547,066	

Notes:

* As of the January 2002 Special Distribution of \$26,250,000 from the FY02 state budget.

1. Private sector charges and free care data are based on uncompensated care claims data reported by the hospitals for June 2000 through May 2001.
2. Cost to Charge Ratios are from the Special Distribution PFY01 calculation.
3. All data are unaudited and subject to change with future updates and calculations.

Uncompensated Care Pool PFY01 Annual Report

Allowable Free Care Costs F = D x E	IGT Adjustment G	IGT Net Allow Free Care Costs H = F - G	Shortfall Allocation I	Annual Gross Liability from the Pool J = H - I	Net Annual Liability to or from the Pool K = J - C
\$ 22,018,861	-	\$ 22,018,861	\$ 3,632,383	\$ 18,386,478	\$ (3,448,829)
2,767,145	-	2,767,145	582,513	2,184,632	248,885
3,909,627	-	3,909,627	702,747	3,206,880	(2,119,580)
1,434,509	-	1,434,509	310,631	1,123,878	(1,268,696)
497,007	-	497,007	196,221	300,786	(396,376)
1,931,902	-	1,931,902	400,635	1,531,266	(502,970)
1,803,797	-	1,803,797	549,415	1,254,382	(1,626,562)
829,112	-	829,112	52,962	776,149	548,108
125,901	-	125,901	125,901	-	(2,574,992)
6,288,740	-	6,288,740	1,439,082	4,849,657	(3,954,874)
1,100,416	-	1,100,416	665,266	435,151	(3,975,943)
644,540	-	644,540	152,750	491,790	(239,155)
504,952	-	504,952	161,415	343,536	(198,072)
4,180,204	-	4,180,204	642,485	3,537,719	395,885
2,332,323	-	2,332,323	386,000	1,946,323	795,021
5,385,059	-	5,385,059	726,674	4,658,385	1,054,300
1,768,575	-	1,768,575	358,510	1,410,065	(182,975)
4,369,260	-	4,369,260	692,079	3,677,181	985,489
2,557,996	-	2,557,996	827,709	1,730,288	(2,094,862)
7,599,359	-	7,599,359	1,497,734	6,101,625	725,828
1,500,194	-	1,500,194	322,088	1,178,106	12,733
2,145,062	-	2,145,062	954,290	1,190,772	(1,861,326)
1,189,217	-	1,189,217	301,292	887,924	(834,337)
14,342,138	-	14,342,138	2,657,949	11,684,189	(656,154)
1,920,491	-	1,920,491	326,698	1,593,793	396,539
270,245	-	270,245	111,561	158,685	(105,631)
-	-	-	-	-	(78,573)
1,047,793	-	1,047,793	503,477	544,316	(3,726,308)
1,056,517	-	1,056,517	143,337	913,180	504,975
414,681,050	70,000,000	344,681,050	44,831,050	299,850,000	84,850,000

Table 5: Community Health Center Payments for Uncompensated Care, Pool Fiscal Years 2000 and 2001

Community Health Center	PFY01*	PFY00	Difference	% Change
Boston Health Care for the Homeless Program	\$ 224,664	\$ 227,452	\$ -2,788	-1.23%
Brockton Neighborhood Health Center	919,728	728,919	190,809	26.18%
Community Health Center of Franklin County	97,038	0	97,038	100.00%
Dimock Community Health Center	247,278	212,754	34,524	16.23%
Family Health and Social Service Center	539,226	782,564	-243,338	-31.09%
Fenway Community Health Center	118,757	110,716	8,041	7.26%
Gieger-Gibson Community Health Center	358,902	395,084	-36,182	-9.16%
Great Brook Valley Health Center	2,855,361	1,808,275	1,047,086	57.91%
Greater Lawrence Family Health Center	1,513,050	1,171,410	341,640	29.16%
Greater New Bedford Community Health Center	957,401	936,572	20,829	2.22%
Harvard Street Neighborhood Health Center	688,180	919,353	-231,173	-25.15%
Health First Family Care Center	349,006	247,332	101,674	41.11%
Hilltown Community Health Center	160,279	153,663	6,616	4.31%
Holyoke Health Center, Inc.	420,535	353,977	66,558	18.80%
Joseph M. Smith Community Health Center	817,698	733,277	84,421	11.51%
Justice Resource Institute	13,342	8,621	4,721	54.76%
Lowell Community Health Center	555,514	531,706	23,808	4.48%
Lynn Community Health Center	1,014,760	738,255	276,505	37.45%
Manet Community Health Center	587,160	605,148	-17,988	-2.97%
Mattapan Community Health Center	884,921	949,941	-65,020	-6.84%
Neponset Health Center	458,468	512,160	-53,692	-10.48%
North End Community Health Center	126,097	136,250	-10,153	-7.45%
North Shore Community Health Center	319,457	353,270	-33,813	-9.57%
O'Neil Health Clinic, Inc.	32,277	9,634	22,643	235.03%
Outer Cape Health Services, Inc.	325,349	324,464	885	0.27%
Roxbury Comprehensive Community Health Center	726,702	722,212	4,490	0.62%
South Cove Community Health Center	724,063	610,906	113,157	18.52%
South End Community Health Center	291,804	214,129	77,675	36.27%
Springfield Southwest Community Health Center	282,673	339,974	-57,301	-16.85%
Stanley Street Treatment and Resources	123,537	112,315	11,222	9.99%
Upham's Corner Health Center	538,864	436,336	102,528	23.50%
Whittier Street Neighborhood Health Center	475,698	414,156	61,542	14.86%
TOTAL	17,747,789	15,800,825	1,946,964	12.32%

Notes:

*Based on actual data of 12 months (October 2000-September 2001)

Geiger-Gibson Community Health Center includes the following, extrapolated for 12 months:

- Lower Cape off-site dental services
- Martha's Vineyard off-site dental services

gency bad debt. These data are reported for both inpatient and outpatient uncompensated care services. Partial free care and medical hardship together make up approximately 1.5% of the Pool, and are included in Table 3 (on pages 10-13) under “Free Care.”

PFY01 Uncompensated Care Pool Calculation

As shown in Table 4 (on pages 14-17), each hospital’s annual gross liability to the Pool (column C) is based on its private sector charges (column A), which it reports to the Division. Because each hospital’s liability is based on its private sector charges, hospitals that treat more private patients make larger payments to the Pool. Each month, the Division calculates a uniform percentage sufficient to generate \$215 million in annual Pool funding. This percentage was 2.445% in PFY01 (column B).

Each hospital is paid for its uncompensated care based on its reasonable costs and the availability of funding. Hospitals report their free care charges to the Division (column D). The Division adjusts the free care charges using the ratio of each hospital’s reasonable costs to charges (column E), calculated by the Division based on each hospital’s mark-up of charges over costs, and its efficiency relative to other hospitals. The result of this adjustment is the hospital’s allowable free care costs (column F).

Hospitals that receive payments for free care through an intergovernmental funds transfer (IGT) (column G) use those funds

before accessing the Pool to cover any remaining free care costs (column H). When there is a shortfall (insufficient funding in the Pool to pay providers for the uncompensated care they provide), the shortfall is allocated so that hospitals with a greater proportional requirement for Pool funds receive a greater proportional share of Pool payments (column I). The shortfall allocation is applied to the provider’s allowable free care costs to calculate the hospital’s annual gross liability from the Pool (column J).

Finally, for informational purposes, Table 4 includes each hospital’s net annual liability to or from the Pool, calculated by subtracting the hospital’s gross liability to the Pool from its gross liability from the Pool (column K). However, hospitals make and receive payments based on the gross amounts.

Community Health Center (CHC) Payments for Uncompensated Care PFY01

Until October 1, 2001, CHCs were paid by the Pool for the free care services they provided according to each center’s 1995 Federally Qualified Health Center (FQHC) rate, or in the case of a non-FQHC approved health center, a rate based upon a substitute annual cost report in the same format (see Table 5 on page 18). As of October 1, 2001, the Division adopted amendments to its regulations that modified this rate. All CHCs are now paid \$85.47 for individual medical visits.

Section 5:

Demonstration Projects

The Massachusetts Fishermen's Partnership, Inc.

Chapter 47 of the Acts of 1997 authorized the Division to allocate up to \$10 million of Pool funds per fiscal year for demonstration projects designed to demonstrate alternative approaches to improve health care and reduce costs for the uninsured and underinsured. Each demonstration project was required to demonstrate the potential to save the Pool at least \$1 for every dollar it received in funding. Chapter 47 also designated specific funds for three programs: the Ecu-Health Care project, the Hampshire Health Access project, and the Massachusetts Fishermen's Partnership, Inc. The Division funded 11 additional demonstrations in PFY01.

Ecu-Health Care, Inc. and Hampshire Health Access

The Division provides \$40,000 annually in Pool funds to the Ecu-Health Care project in North Adams and to the Hampshire Health Access project in Northampton. These programs help link local residents with affordable and accessible health care by assessing their eligibility for state programs such as MassHealth and the Children's Medical Security Plan (CMSP). If applicants are not eligible for a state program, they are referred to local physicians who have agreed to treat patients at a reduced or no charge.

The Fishing Partnership Health Plan (FPHP) offers fisherman and their families the opportunity to purchase health insurance at a reduced rate, made possible through subsidized premiums provided by state and federal appropriations. The FPHP is a freestanding trust fund that operates separately from the two primary sponsoring organizations: Caritas Christi Health Care System and the Massachusetts Fishermen's Partnership, Inc. It is funded by the U.S. Department of Commerce and by \$2 million of Pool funds for each of five years, and bears all financial risk for the program.

The FPHP contracts with Tufts Health Plan and offers fishermen and their families a comprehensive benefit package that includes access to the Tufts network of providers, mental health services, and pharmacy coverage. All fishermen, regardless of health status or current insurance coverage, may enroll in the plan. FPHP offers four tiers of membership depending on the income of the fishermen. Tier one members, who constitute approximately 40% of the members, receive the most subsidy, equal to approximately 40% of the premium. Tier four members, constituting a little over 20% of the members, receive no premium subsidy.

Over 1,200 fishermen and their family members are currently enrolled. The Division is continuing to evaluate the program for cost neutrality.

Congestive Heart Failure

Congestive heart failure (CHF) adversely affects the quality of life of many uninsured individuals and results in high

Table 6: PFY01 Pool Payments to Demonstration Projects

	Maximum Obligation	Expended	Balance
Mandated Projects			
Ecu-Health Care, Inc.	\$40,000	\$40,000	\$0
Hampshire Community Action Commission	\$40,000	\$40,000	\$0
Fishing Partnership Health Plan Corporation	\$2,000,000	\$2,000,000	\$0
Health Care for All*	\$50,006	\$47,803	\$2,203
Behavioral Health Network, Inc.**	\$489,589	\$255,719	\$233,870
Congestive Heart Failure Projects			
Baystate Medical Center	\$221,460	\$218,760	\$2,700
Boston Medical Center	\$299,529	\$256,668	42,861
Brigham & Women's Hospital	\$108,764	\$101,758	\$7,006
Cambridge Health Alliance	\$289,329	\$285,009	\$4,230
Demonstrations for Underinsured and Uninsured Individuals			
Boston Health Care for the Homeless	\$380,046	\$304,881	\$75,165
Boston Public Health Commission	\$397,239	\$256,665	\$140,574
Falmouth Free Clinic	\$191,773	\$184,233	\$7,540
Family Health Center of Worcester	\$395,996	\$286,913	\$109,083
Great Brook Valley Health Center	\$400,000	\$347,115	\$52,885
Lynn Community Health Center	\$373,373	\$358,883	\$14,490
South Cove Community Health Center	\$147,232	\$97,154	\$50,078
Total	\$5,824,336	\$5,081,651	\$742,685

Notes:

*contract began May 25, 2000

**contract began December 22, 2000

per-person costs billed to the Pool. Many of the associated hospitalizations (and therefore, costs) could be preventable if appropriate ambulatory care were provided.

The Division funded four CHF projects (Baystate Medical Center, Boston Medical Center, Brigham and Women's Hospital and Cambridge Health Alliance) each receiving

between \$110,000 and \$300,000 per year for three years, until September 30, 2001. The goals of these programs were to reduce CHF-related hospitalizations, reduce the need for frequent urgent care visits, and improve patient care. All of the programs provided active case management of patients (including weight monitoring and counseling in

nutrition and diet) and a reliable source of medications. Within this general framework, the programs' methods differed considerably. Lower-than-expected enrollment spread start-up and fixed costs over fewer people and caused higher-than-expected costs per patient. Even so, one program met cost-neutrality and two others were close. One program clearly did not meet cost-neutrality. It is unclear, however, which third party payers benefited the most from the cost-effective interventions, because many enrollees often circulated in and out of free-care status over the course of the demonstrations. This program concluded at the end of PFY01.

Demonstrations for Improving Care and Reducing Costs for Uninsured Individuals

In the Fall of 1999, the Division began funding seven programs developed to achieve at least one of three related goals: reduce preventable hospitalizations by providing primary care for patients with ambulatory care sensitive conditions; improve coordination of care for patients with multiple or chronic conditions; and provide services in a more efficient or appropriate manner. The programs employ strategies and protocols tailored to the unique characteristics of the uninsured. Program activities include efforts to modify patients' behaviors so they can better manage their diseases, provision of pharmaceuticals, and coordination of care among health care providers. The Division has begun conducting preliminary analyses of the efficiency and effectiveness of these demonstrations.

Boston Health Care for the Homeless Program

Boston Health Care for the Homeless uses an intensive nurse practitioner case management model to provide care to 30 severely chronically ill, homeless people. In order to be enrolled in this program, home-

less patients must have been homeless for at least 6 months and had at least one acute care medical hospitalization in the past year. Nurse practitioners are responsible for providing and coordinating care. This includes primary care, behavioral health care and oral health care at homeless health care clinics. Case managers coordinate health care and other services at soup kitchens, shelters, street and van outreach, hospital ambulatory clinics, respite care homes, detoxification and recovery sites, and DPH and DMH substance abuse programs. At the end of PFY01, a total of 18 patients were enrolled in this program. The program had lower-than-expected enrollment because the program's intensive screening efforts were successful in determining that many potential enrollees of the program were eligible for other programs, most frequently Medicaid.

Boston Public Health Commission

The Boston Public Health Commission uses different types of case managers to coordinate care for three target groups of patients. The Father Friendly component targets low-income fathers who are not eligible for MassHealth. The Addiction Services component targets individuals with substance abuse problems. The Homeless Services component manages the care of homeless individuals who typically rely on emergency rooms as their usual source of health care. At the end of PFY01, a total of 180 patients were enrolled in Boston Public Health Commission's programs. Forty-seven patients were in the Father Friendly component, 114 in the Addiction Services component and 19 in the Homeless Services component.

Cape Cod Free Clinic (formerly Falmouth Free Clinic)

Cape Cod's Project Stay Healthy operates within the Cape Cod Free Clinic, a clinic in Falmouth staffed primarily by volunteers. This demonstration provides

case management services for people with chronic conditions such as asthma, depression, hypertension, and osteoarthritis. A nurse practitioner coordinates primary care, pharmacy assistance and specialist referrals for eligible individuals. At the end of PFY01, a total of 179 patients were enrolled in Cape Cod's Project Stay Healthy program.

Family Health Center

The Family Health Center uses a multidisciplinary team of doctors, mid-level practitioners, medical assistants and case managers to coordinate care for patients with the following conditions: asthma, diabetes, hypertension, hypertension/diabetes and cellulitis. At the end of PFY01, a total of 215 patients were enrolled in Family Health Center's program. A concerted outreach effort has since increased membership to nearly 400.

Great Brook Valley Community Health Center

The Great Brook Valley Health Center uses registered nurses who integrate primary care and case management for patients with asthma, diabetes, hypertension and diabetes/hypertension. At the end of PFY01, a total of 819 patients were enrolled in Great Brook Valley Health Center's program.

Lynn Community Health Center

The Lynn CHC is primarily a pharmacy demonstration project. Lynn CHC works with a neighborhood pharmacy that purchases drugs under Section 340B of the Public Health Service Act to provide medications to low-income uninsured or underinsured individuals. This project has a case managed component and a non-case managed component. Patients receive case management if they have chronic and complex conditions that require close monitoring and coordina-

tion of their care. At the end of PFY01, a total of 2,421 patients utilized the Lynn CHC Free Care Pharmacy Program; approximately 120 of these patients were case managed. Division staff have developed a computerized cost-neutrality model and have begun to evaluate the Lynn pharmacy program.

South Cove Community Health Center

The South Cove Community Health Center in Boston is a Chinatown-based agency that primarily serves Asians. A nurse case manager coordinates care for patients with asthma, diabetes, hypertension or combinations of the three conditions. Translators are used to help uninsured and underinsured individuals obtain access to needed care and to negotiate the health care system. At the end of PFY01, a total of 96 patients were enrolled in South Cove's Chronic Care Program.

Behavioral Health Pathways

The goal of the Behavioral Health Pathways (BHP) project, developed by Behavioral Health Network (BHN), is to provide mental health and substance abuse services to the uninsured, to prevent and reduce the need for unnecessary and expensive acute care. In addition to mental health and substance abuse admissions, this includes the treatment of people who are hospitalized for a somatic condition and for whom appropriate mental health care would reduce the need for acute (non-mental health) inpatient care.

Located in Springfield, BHN is collaborating with area hospitals and health centers to identify and serve their target population. BHP screens outpatients, inpatients and ER patients to identify eligible people and provides case management, medications and intensive support (day treatment, outpatient MH visits, etc.).

Section 6:

PFY01 Pool Status

The Division of Health Care Finance and Policy projects free care costs and Pool shortfalls or surpluses on a regular basis. Projecting free care costs is extremely difficult because of the large number of factors that can affect final amounts. These factors are discussed below.

First, the Pool is the payer of last resort. The Pool pays for any medically necessary service provided by an acute hospital or community health center to a low-income uninsured or underinsured person that is not covered by another payer. Therefore, if there are any changes in enrollment or services covered by any other public or private payer, the changes will affect the Pool. Changes in other programs, such as MassHealth, often are not announced publicly until after they have taken effect, and even then, it is very difficult to quantify the direct impact that the change will have on the Pool.

Second, because most private insurance is accessed through employment, changes in employment levels, types of employees hired (full-time versus contracted or part-time), and/or the level of benefits offered will affect the Pool.

Third, the Pool is required by law to pay providers on a fee-for-service basis. If the amount a provider bills to the Pool increases by 50% in a particular month, the Pool must reimburse the hospital for the increased amount. A provider may bill higher amounts for many reasons: expanded services, increased volume, an epidemic, installation of a new billing system, and so on.

Finally, the Pool is not a program, and it does not enroll members. The Division cannot project costs based on enrollment per member per month (PMPM), multiplied by cost PMPM, as health plans do. Because people often apply for free care after they have received a service, the Pool has not implemented pre-admission certifications and other methods of utilization review. As a result, the Division does not get advance warning of high-cost procedures being billed to the Pool.

Table 7 on page 26 shows the various sources of Uncompensated Care Pool funding and how this funding has been used for payments and reserves over time.

**Table 7: Uncompensated Care: Sources and Uses of Funds
(in millions)**

Sources of Funds	PFY98*	PFY99*	PFY00**	PFY01**	PFY02**
Uncompensated Care Pool					
Hospital Assessment	\$215.0	\$215.0	\$215.0	\$215.0	\$170.0
Surcharge on Payments to Hospitals	100.0	100.0	100.0	100.0	100.0
State Appropriation	30.0	30.0	30.0	30.0	30.0
Total Uncompensated Care Pool	345.0	345.0	345.0	345.0	300.0
Other Funds					
Intergovernmental Transfer (IGT)	70.0	70.0	70.0	70.0	70.0
c.495 §56 Compliance Liability Funds	4.0	-	15.0	1.1	0.0
Prior Fiscal Year Surplus Transfer	-	-	9.0	2.0	0.0
Transfer from Medical Security Trust Fund			15.0	25.0	90.0
Tobacco Settlement Fund					12.0
Total Uncompensated Care Funds Available	419.0	415.0	454.0	443.1	472.0
Uses of Funds					
Payments					
Hospital Free Care Costs	390.0	381.9	383.4	396.7	429.4
Community Health Center Free Care Costs	16.5	15.9	15.9	17.7	22.5
Demonstration Projects	3.0	3.3	5.2	5.8	5.0
Transfer to Children's & Seniors'					
Health Care Assistance Fund	-	11.8	46.3	44.3	33.8
Audit Adjustments			(3.9)	(4.0)	(4.6)
Reserves					
Doubtful Accounts - Hospitals	-	-		1.0	1.0
Doubtful Accounts - Surcharge Payers	-	-		0.3	0.3
Data Collection	-	3.0	2.0	2.7	1.5
Surcharge Expenses	-	-	-		
Other Reserves	0.5	-	-		
Total Uses of Funds	410.0	415.9	448.9	464.6	488.9
(Shortfall) / Surplus	9.0	(0.8)	(5.1)	(21.4)	(16.9)

* PFY98 and PFY99 data are as of Preliminary Settlement.

** This is a projection. The final (shortfall)/surplus estimate can be higher or lower by up to 5%, depending upon the assumptions.

Section 7:

Pool Settlements

The Uncompensated Care Pool makes monthly payments to hospitals and hospitals make monthly payments to the Pool on an estimated basis. The Division of Health Care Finance and Policy calculates the payment amounts based on a rolling average of each hospital's most recently reported 12 months of free care and private sector charges, adjusted for industry trends.

As required by M.G.L. c.118G, §18(h), the Division calculates the final payment amounts to and from the Pool after all hospitals' final audited Pool fiscal year data is available. The final payments made based on this final calculation are referred to as the "final settlement of the Pool fiscal year." At final settlement, a hospital pays the Pool or the Pool pays the hospital the difference between amounts that were paid previously and the actual amount that should have been paid, based on final data.

Factors that would cause the final payment to differ from the initial estimated payment include: a change in the amount of free care provided by the particular hospital or by all hospitals statewide, a change in the hospital's mark-up of charges over costs, a change in the hospital's overall payer mix, audit adjustments, and a change in the total funding available for uncompensated care statewide.

Final settlements cannot be completed until final audited free care charges, private sector charges, total charges, and total patient care costs are available for all hospitals. It often takes several years to resolve all outstanding audit issues for all hospitals, and as a result final settlements are often delayed.

In order to ensure that as little money as possible is held up until final settlement, the Division also conducts preliminary settlements. The Division conducts a preliminary settlement as soon as 12 full months of free care charges and private sector charges are available for the Pool fiscal year, as well as an updated cost to charge ratio. Conducting preliminary settlements helps prevent the need to transfer large unexpected dollar amounts upon final settlement.

Update

At the time that the administration of the Pool was transferred to the Division, final settlements with hospitals for payments to and from the Pool were behind schedule. The Division has since succeeded in settling PFY90 through PFY98. Preliminary settlements with hospitals are up-to-date, and the Division expects to final settle PFY99 and PFY00 during 2003. The Division interacts with hospitals and community health centers on a regular basis throughout the year to monitor free care charges and costs, which makes the settlement process more efficient. Final settlements with CHCs are not required.

Table 8 (on pages 28-29) illustrates the history and status of Pool settlements for the Division. The table identifies all Pool funding sources for each year as well as Pool expenses for that year, including transfers

Table 8: Uncompensated Care Pool Settlements

Pool Fiscal Year	Settlement Status	Hospital Assessment Funding	Surcharge Funding	State Funding	Additional Funding**	IGT	Children's & Seniors' Fund
**2002	Mar 2002 Calculation*	\$170,000,000	\$100,000,000	\$30,000,000	\$90,000,000	a \$70,000,000	\$33,750,000
2001	Dec 2001 Special Distribution Calculation**	215,000,000	100,000,000	30,000,000	26,100,000	b 70,000,000	44,250,000
**2000	Jan 2001 Preliminary*	215,000,000	100,000,000	30,000,000	39,000,000	c 70,000,000	46,250,000
**1999	Jan 2000 Preliminary*	215,000,000	100,000,000	30,000,000		70,000,000	11,750,000
1998	FINAL	215,000,000	100,000,000	30,000,000	(5,000,000)	d 70,000,000	
1997	FINAL	315,000,000		15,000,000	12,500,000	17,500,000	
1996	FINAL	315,000,000		15,000,000			
1995	FINAL	315,000,000		15,000,000			
1994	FINAL	315,000,000		15,000,000			
1993	FINAL	315,000,000		15,000,000			
1992	FINAL	300,000,000		35,000,000			
1991	FINAL	312,000,000		-			
1990	FINAL	312,000,000		-			

Note: All amounts are in dollars (\$).

* Amounts subject to change at Final and/or Preliminary Settlement.

** Reserves and Expenses includes funds set aside for Special Programs (e.g. Demonstration Projects).

*** Additional Funding includes amounts transferred from the St. 1991, Chapter 495, Section 56 Compliance Liability Fund and from the Medical Security Trust Fund, as well as surpluses brought forward from previous years.

**** As of the January 2002 Special Distribution of \$26,250,000 from the state FY02 budget.

a. For PFY02 - FY02 state budget provided \$45,000,000 to offset PSC liability relief and an additional \$45,000,000 in free care cost funding.

b. For PFY01 - In addition to Section 56 funds, also included are \$10,000,000 in state FY01 budgeted relief and \$15,000,000 in state FY02 budgeted relief.

c. For PFY00 - In addition to Section 56 funds, also included are \$9,000,000 from PFY98 surplus (see reduction to PFY98 in this column) and \$15,000,000 in FY01 state budgeted relief.

d. Portion of PFY surplus transferred to PFY00 (\$9,000,000).

Reserves and Expenses***	Community Health Center Payments	Balance Payable to Hospitals	Allowable UC Costs	Surplus/ (Shortfall)	Percent Recognized	Hospital Uniform Assessment
\$14,500,000	\$19,500,000	\$392,250,000	\$413,824,178	\$(21,574,178)	95%	1.83%
9,500,000	17,500,000	369,850,000	414,681,050	(44,831,050)	89%	2.45%
7,700,000	15,735,998	384,314,002	396,848,612	(12,534,610)	97%	2.68%
2,958,178	14,491,604	385,800,218	381,874,175	3,926,043	100%	3.07%
2,543,188	16,026,457	391,430,355	386,256,534	5,173,821	100%	3.52%
-	16,031,038	343,968,962	448,459,137	(104,490,175)	77%	5.74%
1,284,269	15,168,235	313,547,496	467,290,626	(153,743,130)	67%	6.00%
4,065,970	12,996,321	312,937,709	446,123,716	(133,186,007)	70%	6.54%
5,752,348	10,174,420	314,073,232	422,996,582	(108,923,350)	74%	6.89%
741,639	7,660,677	321,597,684	391,636,164	(70,038,480)	82%	6.93%
3,347,273	4,377,067	327,275,660	340,323,322	(13,047,662)	96%	8.51%
1,221,000		310,779,000	442,492,755	(131,713,755)	70%	9.86%
630,152		311,369,848	411,641,176	(100,271,328)	76%	10.18%

to the Children's and Seniors' Health Care Assistance Fund, payments to CHCs, and the resulting balance available to pay hospitals. Payments for the Division's demonstration programs are included in Reserves and Expenses, along with other expenses related to administering the Pool. The shortfall amount is the amount by which allowable uncompensated care costs incurred by hospitals exceed the available Pool funds. Health care reform initiatives and the strong economy are responsible for the elimination

of the shortfall for PFY98 and PFY99. Projections for PFY00 and PFY01 demonstrate the likely recurrence of shortfalls. The percent recognized is the percent of hospitals' allowable free care costs that were paid by the Pool that year. The last column indicates the steadily decreasing percentage of the uniform assessment on hospitals' private sector charges, which generates each hospital's liability to the Pool (for additional information, please see the explanation of Table 3 on pages 10-13).

Section 8:

Pool Management Initiatives

The Division has undertaken a number of initiatives to improve the efficiency and effectiveness of Pool operations. This section provides an update on these initiatives.

Eligibility

Since October 1998, providers have used a streamlined and clarified eligibility determination process along with standard application forms for free care and medical hardship assistance. All applicants for free care are asked a set of questions that indicate possible eligibility for other assistance programs, such as MassHealth, and providers are required to assist applicants in applying for these programs. The free care application forms are available in English, Spanish, Portuguese, Haitian Creole, Chinese, Vietnamese, and Khmer, and are located on Division's web site for easy download.

The Division has continued its free care application training program for providers, holding training sessions in numerous locations: at the Division, on-site at provider locations, and at regional public health offices. The purpose of these sessions is to teach providers about the free care eligibility determination process, the Division's screening requirements, and how to use the free care application forms. The Division's

The Free Care Application: A Guide for Acute Hospitals and Community Health Centers, is distributed to all free care providers and is also available on the Division's web site for download. The free care help line continues to receive about sixty calls per week, of which about two-thirds are from provider staff and about one-third is from individuals applying for free care. The Division also continues to publish its quarterly newsletter, *Free Care Notes*. In calendar year 2001 the Division received 77 grievances, over half of which were resolved in favor of the hospital.

In May 2002, the Division published the 2002 edition of *Access to Health Care in Massachusetts: A Catalog of Health Care Programs for Uninsured and Underinsured Individuals*. This latest edition of the catalog contains updated information on over 75 programs as well as information on any new programs for uninsured or underinsured persons, including programs sponsored by public and private organizations. This catalog is intended as a tool to assist hospital and community health center staff in their screening efforts, in order that they may be able to direct patients to other more organized and comprehensive sources of coverage besides free care. Copies of the catalog are distributed to all hospitals and community health centers, along with many other interested organizations. To order copies of the catalog contact the Division's Office of Communications at (617) 988-3125 or email order requests to shelley.fortier@state.ma.us.

Data Collection

The Division collects patient level data on individuals who access health care

through the Pool. Access to patient level data helps the Commonwealth to target programs more closely to patients' needs. It also allows the Division to conduct regular analyses, verify eligibility, and target audit efforts. The Division developed software to collect and analyze these data and trained providers on its use. Hospitals and community health centers are required to submit free care application and medical claims data to the Division according to Division specifications that are defined in regulation. This year, the Division added new features to the software based on input from providers, making it easier to submit all applications electronically.

All hospitals and community health centers use the Division's free care application software to verify free care eligibility and submit eligibility information to the Division. The Division is in the initial stages of analyzing information collected thus far from the nearly 210,000 free care applica-

tions received since October 2000 (see Table 9 below).

Current analyses focus on understanding the demographic characteristics of the people who access health care through the Pool and cross-referencing for eligibility in other public assistance programs. Current data indicate that the average family income for free care applicants is approximately \$10,500 per year, and the average family size is approximately 1.7.

Fifty-five percent of free care applicants are female and 45% are male. Ten percent of applicants are age 18 or under, 56% are ages 19-44, 24% are ages 45-64, and 9% are age 65 or over. Seventy-seven percent of free care applications include Social Security numbers.

In addition, 90% of free care applicants qualify for full free care, with 9% qualifying for partial free care, a tiny fraction qualifying for medical hardship (only 29 medical hardship applications have been received since December 1999), and the remainder

Table 9: Free Care Applications Collected 10-1-00 to 4-30-02

Applications Collected	Hospitals	CHCs	Total
	166,240	42,226	208,466
Gender			
Female Applicants	54%	57%	55%
Male Applicants	45%	43%	45%
Age			
18 and Under	11%	14%	11%
19-24	15%	16%	15%
25-44	40%	42%	40%
45-64	24%	23%	24%
65 and Over	11%	4%	9%
Family Information			
Average Family Income	\$10,881	\$9,812	\$10,782
Average Family Size	1.58	1.76	1.73

are income ineligible. The Division has not yet received any applications electronically for medical hardship.

During PFY00, the Division also conducted preliminary wage match verifications with the Department of Revenue (DOR). During PFY01, the Division worked with DOR to refine wage match results and reporting. The Division now routinely verifies reported earned income on free care applications through matches with DOR.

The Division now accepts electronic UB92 claims data from hospitals for care billed to the Uncompensated Care Pool. Hospitals not yet submitting claims are working to modify their billing systems to comply with the Division's requirements. The Division's specifications for electronic claims submission are modeled after Medicare and Medicaid standards; however, some operational modifications needed to be made to hospital systems for Pool billing purposes. The Division is still in the process of implementing the claims data collection system at those community health centers that are not complying with the Division's requirements.

Strict confidentiality policies prohibit the release of patient specific information.

Audits

The Division increased its audit activity in PFY01. Compliance with the Division's regulations both ensures fairness and increases accountability among providers. Audits also enhance the Division's ability to complete final settlements on outstanding Pool fiscal years.

The Division selects providers for audit based upon providers' historical billings to the Pool, free care application submissions, and other reporting requirements. Field audit teams visit hospitals and collect samples of free care applications and patient records to ensure that they comply with the laws and regulations governing free care.

The Division's audit activities have had an educational focus, emphasizing a collaborative effort between the agency and providers to learn and implement the regulations. A goal of the audits has been to identify issues and correct them system-wide through training sessions and newsletters. The Division has also used audits to inform Pool policy development. The Division has made adjustments to providers' payments from the Pool that will be implemented upon final settlement.

Section 9: Conclusion

need additional information, please contact the Division. We welcome any comments about the usefulness of this report and suggestions for improvement. Comments may be submitted to Rachel Safford:

***Uncompensated Care Pool Annual Report
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